



Description of Business

Ecolab is the leading global developer and marketer of premium cleaning, sanitizing, pest elimination, maintenance and repair products and services for the world's hospitality, foodservice, institutional and industrial markets. Founded in 1923 and headquartered in St. Paul, Minn., Ecolab reaches customers in more than 160 countries across North America, Europe, Asia Pacific, Latin America, the Middle East and Africa, and employs more than 21,000 associates worldwide. Customers include hotels and restaurants; healthcare and educational facilities; quickservice (fast-food and convenience stores) units; grocery stores; commercial and institutional laundries; light industry; dairy plants and farms; food and beverage processors; pharmaceutical and cosmetic facilities; and the vehicle wash industry. Products and services are marketed by the industry's largest and best-trained direct sales-and-service force, numbering more than 12,000 associates who advise and assist customers in meeting a full range of cleaning, sanitation and service needs.

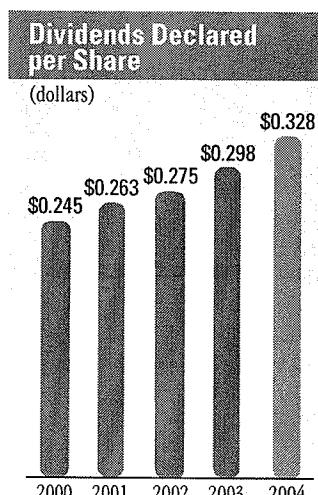
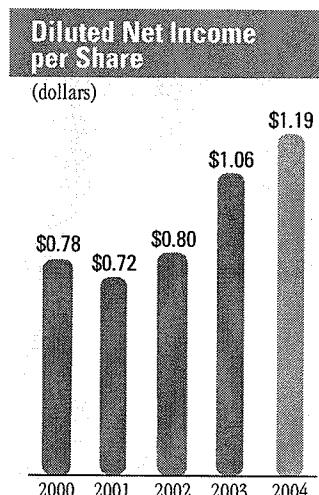
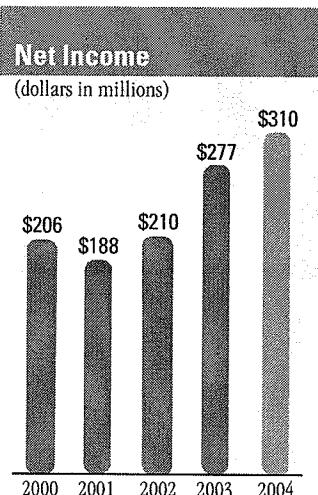
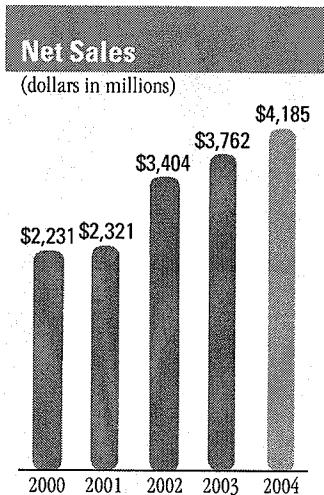
Ecolab common stock is traded on the New York Stock Exchange and Pacific Exchange under the symbol ECL. Ecolab news releases and other selected investor information are available on the Internet at www.ecolab.com.

Forward-Looking Statements and Risk Factors

We refer readers to the company's disclosure, entitled "Forward-Looking Statements and Risk Factors," which is located on page 30 of this Annual Report.

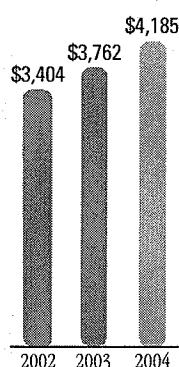
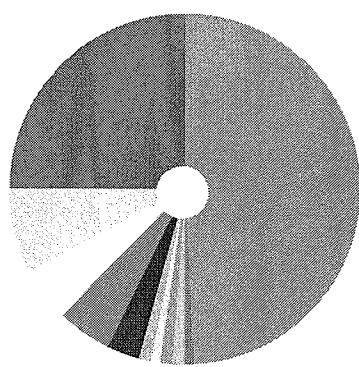
Financial Highlights

| (thousands, except per share) | 2004 | 2003 | 2002 | Percent Change | |
|--|-------------|-------------|-------------|----------------|------|
| | | | | 2004 | 2003 |
| Net Sales | \$4,184,933 | \$3,761,819 | \$3,403,585 | 11% | 11% |
| Net Income | 310,488 | 277,348 | 209,770 | 12 | 32 |
| Percent of Sales | 7.4% | 7.4% | 6.2% | | |
| Diluted Net Income Per Common Share | 1.19 | 1.06 | 0.80 | 12 | 33 |
| Diluted Weighted-Average Common Shares Outstanding | 261,776 | 262,737 | 261,574 | - | - |
| Cash Dividends Declared Per Common Share | 0.3275 | 0.2975 | 0.2750 | 10 | 8 |
| Cash Provided by Operating Activities | 582,464 | 529,199 | 423,326 | 10 | 25 |
| Capital Expenditures | 275,871 | 212,035 | 212,757 | 30 | - |
| Shareholders' Equity | 1,562,519 | 1,295,426 | 1,099,751 | 21 | 18 |
| Return on Beginning Equity | 24.0% | 25.2% | 23.8% | | |
| Total Debt | 701,577 | 674,644 | 699,842 | 4 | (4) |
| Total Debt to Capitalization | 31.0% | 34.2% | 38.9% | | |
| Total Assets | \$3,716,174 | \$3,228,918 | \$2,865,907 | 15% | 13% |



Net Sales

(dollars in millions)

**Ecolab Business Mix 2004****United States 51%**

- Institutional 25%
- Food & Beverage 8%
- Pest Elimination 5%
- Kay 5%
- GCS Service 3%
- Professional Products 1%
- Healthcare 1%
- Vehicle Care 1%
- Textile Care 1%
- Water Care Services 1%

● International 49%

- Europe/Africa/ME 35%
- Asia Pacific 7%
- Canada 3%
- Latin America 3%
- Other 1%

Customers/Markets Served**Customers**

Full-service restaurants
Quickservice restaurants
Hotels
Food retail
Schools
Colleges and universities
Laundries
Hospitals
Nursing homes

Healthcare facilities
Dairy farms and plants
Food, beverage and brewery plants
Pharmaceutical and cosmetic facilities
Office buildings
Shopping malls
Recreational facilities
Building service contractors
Cruise lines
Foodservice operators

Light manufacturing industries
Fleet and vehicle wash

Markets

United States
Europe/Africa/ME
Asia Pacific
Canada
Latin America

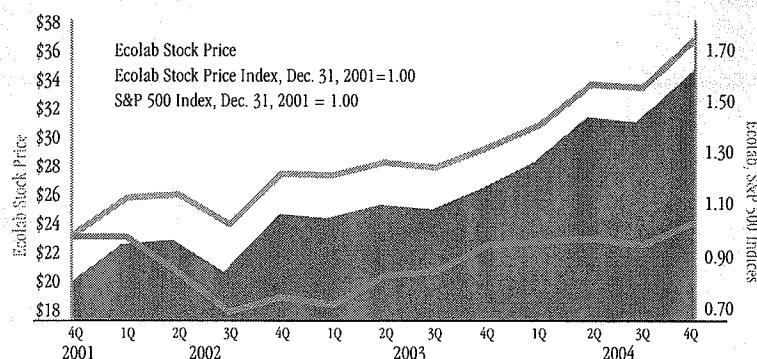
Ecolab**Stock Performance**

| Quarter | 2002 | | 2003 | | 2004 | |
|---------|---------|---------|---------|---------|---------|---------|
| | Low | High | Low | High | Low | High |
| First | \$19.43 | \$23.94 | \$23.08 | \$26.00 | \$26.12 | \$28.61 |
| Second | 21.25 | 24.00 | 24.21 | 27.92 | 27.95 | 31.77 |
| Third | 18.27 | 24.51 | 23.78 | 26.80 | 29.04 | 31.80 |
| Fourth | 20.71 | 25.20 | 25.15 | 27.89 | 31.32 | 35.59 |

Sales-and-Service**Associates**

| (December 31) | 2002 | 2003 | 2004 |
|-------------------------|--------|--------|--------|
| Institutional* | 3,125 | 3,190 | 3,055 |
| Kay | 245 | 275 | 325 |
| Pest Elimination | 1,555 | 1,645 | 1,725 |
| Professional Products** | 175 | 180 | 95 |
| Healthcare** | - | - | 70 |
| GCS Service | 530 | 535 | 470 |
| Textile Care | 85 | 80 | 75 |
| Food & Beverage | 395 | 405 | 450 |
| Water Care Services | 100 | 95 | 95 |
| Vehicle Care | 100 | 100 | 100 |
| Europe/Africa/ME | 3,370 | 3,285 | 3,915 |
| Asia Pacific | 925 | 1,015 | 960 |
| Canada | 320 | 340 | 355 |
| Latin America | 485 | 540 | 590 |
| Total | 11,410 | 11,685 | 12,280 |

*2004 decrease of 250 associates due to the sale of a grease management product line.
**2004 reflects the separation of Healthcare from Professional Products.

Ecolab Stock Performance Comparison

Consolidated Balance Sheet

| December 31 (thousands, except per share) | 2004 | 2003 | 2002 |
|--|-------------|-------------|-------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 71,231 | \$ 85,626 | \$ 49,205 |
| Accounts receivable, net | 738,266 | 626,002 | 553,154 |
| Inventories | 338,603 | 309,959 | 291,506 |
| Deferred income taxes | 76,038 | 75,820 | 71,147 |
| Other current assets | 54,928 | 52,933 | 50,925 |
| Total current assets | 1,279,066 | 1,150,340 | 1,015,937 |
| Property, plant and equipment, net | 834,730 | 736,797 | 680,265 |
| Goodwill | 991,811 | 797,211 | 695,700 |
| Other intangible assets, net | 229,095 | 203,859 | 188,670 |
| Other assets, net | 381,472 | 340,711 | 285,335 |
| Total assets | \$3,716,174 | \$3,228,918 | \$2,865,907 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Short-term debt | \$ 56,132 | \$ 70,203 | \$ 160,099 |
| Accounts payable | 269,561 | 212,287 | 205,665 |
| Compensation and benefits | 231,856 | 190,386 | 184,239 |
| Income taxes | 22,709 | 59,829 | 12,632 |
| Other current liabilities | 359,289 | 319,237 | 291,193 |
| Total current liabilities | 939,547 | 851,942 | 853,828 |
| Long-term debt | 645,445 | 604,441 | 539,743 |
| Postretirement health care and pension benefits | 270,930 | 249,906 | 207,596 |
| Other liabilities | 297,733 | 227,203 | 164,989 |
| Shareholders' equity (common stock, par value \$1.00 per share; shares outstanding: 2004 – 257,542; 2003 – 257,417 and 2002 – 129,940) | 1,562,519 | 1,295,426 | 1,099,751 |
| Total liabilities and shareholders' equity | \$3,716,174 | \$3,228,918 | \$2,865,907 |

The accompanying notes are an integral part of the consolidated financial statements.

...act with signs with Ecolab

NEW YORK - Masterpiece Suites International Ltd. today announced that it has signed a five-year global supplier agreement with Ecolab Inc., a Minnesota-based manufacturer and marketer of commercial and sanitizing products and services. Ecolab will provide the burgeoning hotel broad array of systems for dishwashing, pool and spa laundry, and water treatment, as well as other service suites International luxury properties. Ecolab has recently expanded its service, with se

"We are very excited to be partnering with a one-of-a-kind company like Ecolab," said Linda

Alvorado, vice president of international operations. "Only Ecolab offers such a complete range of solutions to provide consistently excellent service, support on a worldwide basis. Unlike other suppliers, Ecolab delivers far more than differentiated products and services - the

Alvorado cited Ecolab's global service, the chain's ability to maintain in-service support, and focus on using its customers' brands as aspects of a total value proposition that other suppliers simply can't match.

"With Ecolab," she added, "the difference is in the details."

details

E C O L A B 2 0 0 3 A N N U A L R E P O R T

matter